

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5047-02
Bill No.: SCS for SB Nos. 662 & 587
Subject: Compacts; Constitutional Amendments; Federal - State Relations
Type: Original
Date: March 31, 2016

Bill Summary: This proposal adopts the Compact for a Balanced Budget.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)
Total Estimated Net Effect on General Revenue	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version, officials from the **Attorney General's Office (AGO)** stated that the chief law enforcement officer of each member state is empowered to defend the Compact from any legal challenge as well as to seek civil mandatory and prohibitory injunctive relief. Section 4 of the Article states that the venue for any litigation shall be in the federal court in the State of Texas. The AGO assumes that costs can be absorbed with existing resources. However, the AGO may seek additional appropriations if the workload and expenses such as travel increase significantly as the result of the proposal.

In response to a previous version, officials from the **Missouri House of Representatives** assumed any potential cost arising from this proposal could be absorbed with existing resources.

In response to a previous version, officials from the **Missouri Senate** and **State Auditor's Office** each assumed the proposal would have not fiscal impact on their respective organizations.

Officials from the **Governor's Office** and **Office of Administration** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes this proposal would require the state of Missouri to fund the Commission and the Compact Administrator's activities if not paid for by voluntary donations. Oversight also assumes only the first three states agreeing to be bound by the Compact may appoint a member to the commission. Oversight will range the fiscal impact as \$0 (if Missouri is not one of the first three states to agree to the compact) or "Less than \$100,000" (since the expense of the Commission and the amount of volunteer donations is unknown). For fiscal note purposes, Oversight assumes these expenses will come out of the General Revenue Fund.

FISCAL IMPACT - State Government FY 2017 FY 2018 FY 2019

GENERAL REVENUE

<u>Cost - Compact for a Balanced Budget Commission</u>	\$0 or (Less than <u>\$100,000</u>)	\$0 or (Less than <u>\$100,000</u>)	\$0 or (Less than <u>\$100,000</u>)
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ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 or (Less than \$100,000)</u>	<u>\$0 or (Less than \$100,000)</u>	<u>\$0 or (Less than \$100,000)</u>
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FISCAL IMPACT - Local Government FY 2017 FY 2018 FY 2019

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal adopts the Compact for a Balanced Budget in Missouri. The goal of the compact is the adoption of the Balanced Budget Amendment to the United States Constitution. Once three-fourths of the state have adopted the compact, the legislatures of the member states will be deemed to have called for a convention under Article V of the United States Constitution to propose amendments. Delegates to the convention will be the Governor, Speaker of the House, and President Pro Tem of the Senate of each state, or their designee. Delegates are limited in their authority to only debating and ratifying the Balanced Budget Amendment.

After the constitutional convention has adopted the Balanced Budget Amendment and Congress has referred the amendment to the state legislatures for ratification, each member state to the compact will be deemed to have ratified the amendment.

The Balanced Budget Amendment limits federal spending to revenue received by the federal government plus amounts borrowed under the debt limit. A debt limit is established which will be equal to 105% of the federal debt at the time of ratification of the amendment. The debt limit may be increased, but only for specific line items which must be approved by a majority of the state legislatures.

FISCAL DESCRIPTION (continued)

When outstanding debt exceeds 98% of the debt limit, the President shall impound expenditures in an amount to keep debt below the limit. Congress may override an impoundments by designating a different impoundment.

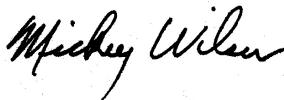
The Balanced Budget Amendment would prohibit any new or increased taxes from being passed by Congress unless approved by two-thirds of the entire body of each chamber of Congress. This prohibition would not apply to a replacement of the income tax with a new sales tax or to a limitation on any tax exemption, deduction, or credit.

This proposal contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri House of Representatives
Attorney General's Office
Governor's Office
Missouri Senate
State Auditor's Office
Office of Administration



Mickey Wilson, CPA
Director
March 31, 2016

Ross Strope
Assistant Director
March 31, 2016